

## Message Text

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43

ACTION NEA-09

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-10 ISO-00 CIAE-00

DODE-00 PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-02

PRS-01 SP-02 SS-15 USIA-15 EB-07 COME-00 TRSE-00

OPIC-06 XMB-04 AID-05 FTC-01 FEA-01 /126 W

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R 071217Z APR 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 2708

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY SANAA

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USINT BAGHDAD

UNCLAS KUWAIT 1534

E.O. 11652: N/A

TAGS: ENRG, ECEM, KU

SUBJ: GOK TONATIONALIZE PRIVATE SHARES IN NATIONAL PETROLEUM CO.

REF: KUWAIT 1258

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1. BOTH ENGLISH LANGUAGE DAILIES, "THE DAILY NEWS" AND "THE

KUWAIT TIMES", REPORT THE COUNCIL OF MINISTERS IN ITS LONGEST REGULAR MEETING EVER, DECIDED TO INTRODUCE LEGISLATION TO THE NATIONAL ASSEMBLY FOR PURCHASE OF THE 40 PERCENT PRIVATE DOMESTIC INTEREST IN THE KUWAIT NATIONAL PETROLEUM CO. (GOK ALREADY OWNS 60 PERCENT). KNPC OWNS AND OPERATES A MODERN ALL-HYDROGEN 180,000 BPD REFINERY AND THE COUNTRY'S GAS STATIONS. IT ALSO OWNS KUWAIT AVIATION FUELING CO. AND HAS 51 AND 49 PERCENT INTERESTS RESPECTIVELY IN THE KUWAIT SPANISH PETROLEUM CO., WHICH DRILLS IN FORMER KOC CONCESSION AREAS, AND IN THE YEMEN-KUWAIT TERMINAL, A BUNKERING FACILITY IN PDRY. NOW THAT GOK HAS DECIDED FULLY NATIONALIZE GULF AND BP'S INTERESTS IN THE KUWAIT OIL CO., IT EXPECTED KNPC WILL BE COUNTRY'S MAIN REFINER OF CRUDE.

2. THE GOK BILL CALLS FOR THE ACQUISITION OF THE OUTSTANDING 8000,000 SHARES AT KD85 A SHARE (KD 1 - \$3.38), THE PRICE PREVAILING IN KUWAIT ON APRIL 7. THE SHAREHOLDERS WILL ALSO BE AWARDED A KD2 DIVIDEND FOR 1974. AT THE CONCLUSION OF YESTERDAY'S COUNCIL OF MINISTERS MEETING "THE DAILY NEWS" REPORTS THE ACTING MINISTER OF STATE ANNOUNCED "THE GOVERNMENT STUDIED THE STATE'S PETROLEUM POLICY AND APPROVED THE SCHEME UNDER IMPLEMENTATION FOR THE NATIONALIZATION OF THE OIL INDUSTRY."

3. COMMENT: DECISION TO NATIONALIZE KNPC'S PRIVATE SHARES SEEMS TO HAVE BEEN CLOSELY HELD (SHARES ACTUALLY DECLINED SOMEWHAT IN THE PAST WEEK), BUT SINGS EXISTED THAT THE GOK WAS MOVING TO EXCLUDE THE KUWAIT PRIVATE SECTOR FROM PARTICIPATING IN OIL AND IN GAS-BASED INDUSTRIES (SEE REFTTEL). TAKEOVER SHOULD NOT MEET WITH SERIOUS OPPOSITION IN NATIONAL ASSEMBLY ALTHOUGH BUSINESSMEN IN THE ASSEMBLY AND THEIR SUPPORTERS CAN BE EXPECTED TO DENOUNCE GOK ACTIONS AS UNFAIR, CITING FACT THAT MANY PRIVATE INVESTORS STUCK WITH KNPC DURING THE MANY LEAN YEARS WHEN IT WAS LOSING MONEY OR BARELY BREAKING EVEN. OTHERS MAY USE DEBATE TO VOICE THEIR OWN PREFERENCES FOR OVERALL DEVELOPMENT OF KUWAIT'S OIL AND GAS. LESS CLEAR IS GOK'S ATTITUDE TOWARDS FOREIGN INTERESTS PARTICIPATING IN SUCH INDUSTRIES. THE CHEMICAL DIVISION OF W.R.GRACE HAS BEEN NEGOTIATING WITH THE LARGELY GOK-OWNED PETEROCHEMICAL INDUSTRIES CO. FOR A JOINT-VENTURE TO PRODUCE AROMATICS, PIC IS ALSO ACTIVELY SEEKING A FOREIGN PARTICIPANT IN AN ETHYLENE/POLYETHYLENE COMPLEX. KNPC IS ALSO UNCLASSIFIED

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SEEKING A FOREIGN PARTNER FOR A REFINERY TO PRODUCE BASE STOCK FOR LUBE OIL AND A BLENDING PLANT. WE BELIEVE GOK WILL STILL PERMIT AND EVEN ENCOURAGE FOREIGN INTERESTS IN PROJECTS FOR WHICH IT CLEARLY AND SUBSTANTIALLY LACKS EXPERTISE. REASON KNPC WAS FULLY TAKEN OVER WAS TO ALLOW GOK TO GIVE IT MAJOR ROLE AND GENEROUS SUPPORT AS COUNTRY'S PRINCIPAL PROCESSOR OF CRUDE OIL WITHOUT BEING CRITICIZED FOR GIVING ALREADY WEALTHY KNPC PRIVATE INVESTORS WINDFALL PROFITS AND UNDUE VOICE IN

COUNTRY'S EXPLOITATION OF ITS ONLY MAJOR NATURAL RESOURCE.

4. GOK WILL PROBABLY ALSO INSIST ON PURCHASING MAJOR INTEREST IN KUWAIT OIL TANKERS CO. SINCE IT WILL BE GIVEN MAJOR ROLE IN TRANSPORTING KUWAITI CRUDE, LPG, AND POSSIBLY PRODUCT AS WELL. IT MAY ALSO PURCHASE REMAINING 5.5 PERCENT PRIVATE SHARES IN PIC. THIS WOULD THEN EFFECTIVELY GIVE GOK ALMOST COMPLETE CONTROL OF COUNTRY'S OIL AND GAS RELATED INDUSTRIES.  
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